

VZCZCXRO4403
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHTO #1251/01 3470719
ZNR UUUUU ZZH
R 120719Z DEC 08
FM AMEMBASSY MAPUTO
TO RUEHC/SECSTATE WASHDC 9712
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLO/AMEMBASSY LONDON 0313

UNCLAS SECTION 01 OF 02 MAPUTO 001251

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [ETRD](#) [PREL](#) [PGOV](#) [MZ](#)
SUBJECT: CAFE SOL, AN EXAMPLE OF COMMERCIAL ADVOCACY

REF: A. MAPUTO 1010

11. (SBU) SUMMARY: Mozambique is ranked 141 out of 181 economies on the World Bank's "Doing Business8 report (Ref A), which means that Embassy Maputo's outreach to U.S. companies and investors in this challenging business environment is especially important for their success. The Mission plays a key role in acting as a conduit between the U.S. business community and the GRM, particularly with small-to-medium sized businesses that often do not have the same access to the GRM as large enterprises. One of the most daunting challenges to foreign investment in Mozambique is navigating the difficult and opaque tax regulations in the country. The mission plans to continue its efforts to assist the GRM in streamlining the tax code, and making accounting regulations and processes more simple. Cafe Sol, a small American expatriate-owned coffee shop, illustrates the rewards and obstacles a small business operating in Mozambique faces and the greater role the U.S. Embassy can serve to the business community. END SUMMARY.

CAFE SOL) A HOBBY TURNED BUSINESS

12. (U) In May of 2007, three American expatriates in Mozambique turned their passion for coffee into reality by opening Cafe Sol in Maputo, the city's first premium coffee roaster. This small premium coffee shop in an upscale neighborhood of Maputo serves as the marketing arm for a retail and wholesale coffee roasting business, which has already expanded its product line, featuring their coffees in fine hotels and supermarkets across the country. The business currently employs approximately 15 Mozambicans and generates a small profit. In August of 2008, Cafe Sol gained a license to place the Made in Mozambique trademark on their coffee which allows them greater notoriety, and hopefully access, to the domestic market (though the unroasted beans are not sourced domestically). Currently, Cafe Sol sells their coffee in a variety of specialty shops and locations in three major cities in Mozambique. The owners plan to expand their distribution network, eventually exporting their product.

CHALLENGES IN TAX AND ACCOUNTING

13. (SBU) In late November, the owners described to Econoff the difficulties of operating a business in Mozambique, which requires persistence and patience. The owners said that they believe that running a small operation is even more difficult than large-scale businesses, many of which have special tax benefits and assistance from the GRM, since large scale foreign investors in Mozambique have the capacity to generate millions of dollars in tax revenues-- to say nothing of job creation. The owners of Cafe Sol stated that among their biggest challenges is navigating Mozambique's Byzantine tax code. They are consistently surprised by burdensome and

unforeseen taxes that hinder their ability to generate a profit and expand their business. For example, the GRM levies a combined corporate income tax of up to 32 percent in Mozambique, levied in a series of up to 37 payments per year. This is compared to South Africa where corporate tax rates are 29 percent spread over 11 payments, and the SADC average of 21.7 percent over 7 payments.

BUSINESS IN MOZAMBIQUE: DIFFICULT BUT REWARDING

¶4. (U) Although operating in the Mozambican business environment can be difficult, the owners explained that the rewards outweigh the negatives. For example, Cafe Sol owners enjoy being leaders in the expatriate business community, have assisted in the development of the Overseas Security Advisory Committee (OSAC--a security forum for American business people living in Mozambique), and assisted the U.S./Mozambique Chamber of Commerce (CCMUSA) by interacting with potential U.S. investors interested in establishing themselves in Mozambique. Equally important, their business provides a socially responsible model for domestic companies. According to several employees, Cafe Sol is one of the best places to work in Maputo. At Cafe Sol, Mozambican employees receive a competitive wage, including tips, and engage in a profit sharing program, while receiving on-the-job professional training.

EMBASSY ASSISTS SMALL BUSINESSES

MAPUTO 00001251 002 OF 002

¶5. (U) Post assisted Cafe Sol by coordinating several meetings with appropriate members of the Government of Mozambique (GRM) with an end result of allowing the owners to gain licenses to sell their product in Mozambique. In addition, Post has raised the business community's concerns with the GRM regarding the heavy corporate tax system, which hinders business development. The Department of Treasury's Office of Technical Assistance (OTA) continues its programs in Mozambique to train and assist the GRM in professionalizing its tax authority and streamlining taxation systems, with an eye on additional simplification of the tax code. Through the USAID-led Private Sector Working Group (PSWG), and USAID-funded business association umbrella group CTA, the Mission continues to look at ways to convince the GRM to improve its business climate, including taxation. As Cafe Sol continues to develop, Mission Maputo will support the owners, plans to export their coffee in the region, and potentially to the U.S. under AGOA.

COMMENT: EMBASSY SUPPORT HELPS THE LITTLE GUY TOO

¶6. (SBU) Small U.S. businesses operating in Mozambique often require more assistance from the Mission in delivering their message and concerns to the GRM. The Embassy plans to intensify its efforts to advocate and assist the GRM in establishing a more efficient business climate, including tax systems for foreign enterprises in Mozambique via CTA and the CCMUSA, as well as through the Department of Treasury's OTA. We maintain a constant message that attracting U.S. investment means attracting responsible business partners that keep high standards for social responsibility, sustainable economic growth, and an especially good work environment for employees. The Embassy continues to work closely with current and potential U.S. investors, like Cafe Sol, to send the message to the GRM that improving the business climate in Mozambique will result in a win-win situation, where profits for U.S. companies will result in both tax revenue generation and local employment generation, significantly improving living standards for Mozambicans

throughout the country.
Amani